



## OFFICE of the GOVERNOR

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### TIPS ON USING A CONTRACTOR TO REBUILD YOUR HOME

#### Are licensed contractors always required when making home repairs?

The requirements differ depending on factors specific to the homeowner, including:

- the value of the home repair project, and
- whether the homeowner is current on mortgage payments.

Under state law:

- Home improvement projects with a value (labor and materials) of \$7,500 or less **DO NOT** require a license.
- Home improvement projects with a value (labor and materials) exceeding \$7,500 but not in excess of \$75,000 require a home improvement contractor to register for a Home Improvement Registration. Individual homeowners who are not contractors but perform their own work are NOT required by state law to register for a Home Improvement Registration.
- Home improvement contractors performing work in excess of \$75,000 (labor and materials) are required to be licensed as a residential building contractor.
- Contractors who hold valid Residential Licenses can perform home improvement work of any value.
- Contractors who hold valid Commercial Licenses can perform home improvement work as long as the work does not exceed \$75,000 (labor and materials).
- Electrical, Mechanical, Plumbing work requires a contractor to have a Commercial License for projects exceeding \$10,000.
- Mold Remediation projects with a value of one dollar or more must be performed by a licensed mold remediation contractor.

In addition, homeowners with mortgages should consider the following:

- For homeowners who are current on their mortgage payments and have damage repair costs of less than \$40,000, the loan servicer must have policies and procedures to determine when a licensed contractor is required to repair or reconstruct the residences. The homeowner must contact their Loan Servicer to determine which requirements apply to them.
- When the damage repair costs are greater than or equal to \$40,000, the loan servicer must ensure a licensed contractor is used to repair or reconstruct the residences.
- In cases where homeowners are 31 or more days delinquent in their mortgage payments, a licensed contractor is always required to repair or reconstruct the residences.

#### If I am doing the physical rebuild work myself on my flooded home, am I required to apply for a contractor's license?

It depends. If it is the homeowner's primary residence, Louisiana law allows homeowners to personally make improvements to their homes without using a contractor or having a state issued license. The state statute can be found in **R.S. 37: 2175.5. Home improvement contracting; exceptions**. However, that law is superseded by any requirements stipulated by the homeowner's insurance or mortgage companies. That is why it is important for homeowners to first check with their insurance and mortgage companies before beginning any home improvements.

### **Is “home improvement contracting” defined under Louisiana law?**

Yes. It is the reconstruction, alteration, renovation, repair, modernization, conversion, improvement, removal, demolition, or construction of an addition to any pre-existing owner occupied building which is used or designed to be used as a residence or dwelling unit, or to structures which are adjacent to such residence or building. The state statute is **R.S. 37:2150.1 (7)**.

### **Whom should I contact to find out whether I can make my home repairs myself or if I have to use a Louisiana licensed contractor?**

Each homeowner should first contact his/her mortgage company. Since 2008, most mortgage loans originated are either purchased or insured by a government affiliated enterprise such as Fannie Mae, Freddie Mac, FHA, etc. Each company has its own set of guidelines for loans secured by properties affected by natural disasters and homeowners with a mortgage are legally bound to those requirements.

### **Should homeowners always contact their Loan Servicer before making any repairs?**

Yes. The loan servicer will explain the contractual obligations based on the guidelines stipulated by the homeowner’s mortgage.

### **Is there a state office that regulates Loan Servicers?**

Yes. The Louisiana Office of Financial Institutions (OFI) has enforcement authority over the lenders and loan servicers that are state licensees, but the office does not regulate national banks and their subsidiaries such as Wells Fargo, Chase, Bank of America, and others. However, OFI will be able to help homeowners contact the agency that does regulate those banks.

### **How can I find out whether a contractor is licensed through the state?**

Homeowners can visit [www.lacontractor.org](http://www.lacontractor.org). Click on the contractor search button located at the top of the web page. You can search by the contractor’s name, business name, license number, city/town/parish of contractor, type of contractor, and qualifying party. You may print a dated copy of the contractor’s license and classifications. It is also available on a free mobile app: [www.lslbc.louisiana.gov/mobile-app](http://www.lslbc.louisiana.gov/mobile-app).

### **How can I prove to my mortgage company that the contractor I have hired is licensed through the state of Louisiana?**

Be sure to work with your Loan Servicer to find out which specific documents are required by your mortgage company. Every contractor who is licensed by the state of Louisiana is issued a state license number. Consumers should always request a copy of any written contract up front and the contractor’s state license number should be prominently displayed on that contract. A copy of the contract as well as copies of all invoices for work done to the property should be made available to the consumer and retained for documentation.

### **What if I use more than one contractor to make home repairs?**

Consumers should ask all contractors doing work on their home for a written contract upfront which should clearly display the contractor’s state issued license number. The contract as well as invoices for all materials and labor used on the home should be retained by the homeowner for proof of work.

### **If I hire a general contractor who is licensed, does any sub-contractor have to be licensed also?**

Yes. Both the general contractor and the sub-contractor must be licensed according to LSLBC licensing requirements.

### **What type of repairs/improvements can homeowners make to their homes without securing a permit?**

The LSLBC does not govern the issuance of any permits. Homeowners must contact their parish and/or city permit office to find out what permits are required for home improvements or repairs.

## IMPORTANT TERMS TO KNOW

**LSLBC:** Louisiana State License Board of Contractors

**Loan Servicer:** The entity to whom homeowners make their mortgage payments

**Lender:** The financial institution that approves the original loan (i.e. a bank)

**Loan Investor:** The company that actually owns the loan. Since 2008, most mortgages loans originated are either purchased by or insured by a government-affiliated enterprise such as Fannie Mae, Freddie Mac, FHA, etc. That means the financial institution that approved the original loan may service the loan but may not actually own it. The owner of the loan (Investor) determines whether the Loan Servicer can make any modifications to the loan.

**License:** A license requires the contractor to pass certain examinations that verify or measure competency, among other requirements. There are two types of licenses: Commercial and Residential. Commercial projects of \$50,000 or more require a contractor possess a Commercial License. Subcontracts with this value must be performed by a properly licensed subcontractor. A Residential License is required when the cost of new residential construction or home improvement project exceeds \$75,000.

**Home Improvement Registration:** A Home Improvement Registration allows a home improvement contractor to perform home improvement projects with a value exceeding \$7,500 but not in excess of \$75,000. Work valued at \$7,500 or less does not require a registration. There is no exam required for a Home Improvement Registration. To obtain a Home Improvement Registration, a contractor must:

- Submit an application to the Louisiana State Licensing Board for Contractors (LSLBC). You can find the application here:  
[http://www.lslbc.louisiana.gov/app/uploads/Home\\_Improvement\\_Registration\\_Application\\_Form.pdf](http://www.lslbc.louisiana.gov/app/uploads/Home_Improvement_Registration_Application_Form.pdf)
- Pay a \$75 application fee
- Provide proof of workers' compensation and general liability insurance

**Permit:** Permits are not issued by the LSLBC. Permits are issued by parish or city permit offices before contractors begin work. The LSLBC works closely with permit offices to ensure that licensed contractors are being used when required by law.

## HELPFUL INFORMATION

Some mortgage companies, though not all, may accept a completed signed version of the following form as assistance in determining the release of a homeowner's NFIP funding:

[http://www.lslbc.louisiana.gov/app/uploads/homeowner\\_aff.pdf](http://www.lslbc.louisiana.gov/app/uploads/homeowner_aff.pdf)

To file a complaint against a contractor or report fraud:

<http://www.lslbc.louisiana.gov/consumers/complaints/>

Some relevant Louisiana statutes: [www.lslbc.louisiana.gov/contractors/contractor-license-law/](http://www.lslbc.louisiana.gov/contractors/contractor-license-law/)

To contact the Louisiana Office of Financial Institutions: [www.ofi.la.gov](http://www.ofi.la.gov).

***\*Information in this publication was provided to the Office of the Governor by the Louisiana State Licensing Board for Contractors, the American Institute of Architects and the Louisiana Office of Financial Institutions.***